

Message Text

CONFIDENTIAL

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SS-15 SP-02 EB-08 INR-07 NSC-05

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R 091450Z FEB 77

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 7236

INFO AMEMBASSY ABU DHABI

AMEMBASSY NEW DELHI

AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMCONGEN DHAHRAN

CONFIDENTIAL JIDDA 1141

E.O. GDS

TAGS: ENRG, SA, FR, IN

SUBJECT: SAUDI OIL SALES AND PRICE POLICY

REF: JIDDA 0481 (NOTAL), JIDDA 1028 (NOTAL)

1. PETROMIN MARKETING DIRECTOR KHURAYJI TOLD
EMBOFFS FEB 8 THAT SAG IS REFERRING REQUESTS FOR NEW OIL
PURCHASES TO ARAMCO PARTNERS, BUT NOT "MATCHING"
INDIVIDUAL CUSTOMERS AND SUPPLIERS AS REPORTED BY PRESS.
HE CONFIRMED THAT 8.5 MILLION B/D PRODUCTION LEVEL WILL
BE USED AS BASE FROM WHICH TO COMPUTE INCREMENTAL
SUPPLIES TO BE SOLD BY ARAMCO PARTNERS, AND NOTED THAT
MIN PETROL WILL MONITOR AND CONTROL ARAMCO OIL SALES
CLOSELY. COMMENT: THIS LAST STATEMENT DETRACTS
CONSIDERABLY FROM KHURAYJI'S EARLIER DENIAL THAT
SAG IS PRE-APPROVING ARAMCO PARTNERS' CUSTOMERS
FOR NEW OIL SUPPLIES.

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2. TWO-TIER PRICE SYSTEM WILL BE TEMPORARY PHENOMENON,
ACCORDING TO KHURAYJI, ASSUMING SHAH IS SERIOUS IN
HIS STATED DESIRE TO COMPROMISE. HE SAID RECENT
TOUR BY QATARI OPEC CHAIRMAN (WHOM HE CHARACTERIZED
AS "STUPID") WAS LARGELY EFFORT TO GET OPEC MEMBERS
TO AGREE TO DISCUSS COMPROMISE POSSIBILITIES.

COMMENT: SAG'S PUBLIC REJECTION OF QATARI COMPROMISE
PROPOSAL WOULD INDICATE HOWEVER THAT SAG HAS FELT
NEED TO KILL PRESS SPECULATION THAT COMPROMISE IS
UNDERWAY ON BASIS OF 10 PERCENT HIKE THROUGHOUT 1977 END
COMMENT

3. KHURAYJI CONFIRMED THAT FRENCH OIL DEAL IS FOR
242,000 B/D (JIDDA 699) TOTALLING 262.5 MILLION
BBL OVER THREE YEARS. PRESS REPORTS OF 292.5 MILLION
BARREL DEAL, HE SAID, WERE IN ERROR. OIL WILL BE
SPLIT BETWEEN CFP AND ERAP ON BASIS OF ARRANGEMENTS
INTERNAL TO THE JOINT COMPANY WHICH THEY HAVE ESTABLISH-
ED FOR THIS PURPOSE.

4. KHURAYJI CONFIRMED THAT, AS LONG AS DUAL-PRICING
SYSTEM LASTS, PETROMIN IS NOT ACCEPTING NEW CUSTOMERS
NOR EVEN NEGOTIATING WITH OLD ONES SUCH AS INDIAN
OIL COMPANY (WHICH HAS BEEN UNABLE TO NEGOTIATE
TOWARD RENEWAL OR EXPANSION OF 1.1 MILLION TONS/YEAR
CONTRACT WHICH EXPIRED END 1976). THERE IS NO
PROBLEM CONCERNING AVAILABILITY, OR PRICE ADVANTAGE
IN ANY CASE, ACCORDING TO KHURAYJI; PLENTY OF OIL
WILL BE AVAILABLE FOR SALE FROM ARAMCO PARTNERS,
WHO WILL BE SELLING ONLY AT PRICES APPROVED BY SAG.
PORTER

NOTE BY OC/T: DISSEMINATION PER S/S-O, MR. STEINER, 2/9/77.

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